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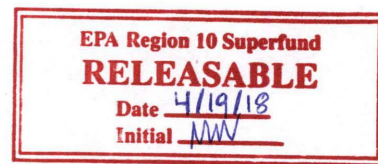
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213.438.4318

February 11, 2011

VIA E-MAIL AND FIRST CLASS MAIL

Steven F. Hill, Esq.
Miller Nash LLP
500 East Broadway
Suite 400
Vancouver, WA 98660-3324



Re: Lower Duwamish Waterway Superfund Site
Insured: Kaiser Gypsum Company, Inc.
AIC Claim No.: L01065546(M)
Policy No.: AU5003139
Our File No.: AGRD-125

Dear Mr. Hill:

This shall acknowledge receipt of your December 22, 2010 correspondence concerning the above-referenced tendered matter. This office has been retained by Allianz Underwriters Insurance Company f/k/a Allianz Underwriters, Inc. ("Allianz") as coverage counsel concerning Kaiser Gypsum Company, Inc.'s ("Kaiser Gypsum") tender of the Lower Duwamish Waterway Superfund Site (the "LDW Claim") based upon the above-identified policy. Please address all future correspondence concerning this matter to the undersigned. I look forward to working with you regarding the same.

This office has conducted a review of Allianz's records and has confirmed that Allianz issued its excess umbrella policy no, AU50003139 to Kaiser Cement and Gypsum Corporation, et al. with an effective policy period commencing December 7, 1979 to April 1, 1981. Our review of said policy also confirms that the Allianz policy is excess of \$50 million underlying umbrella limits and lists Kaiser Gypsum Company, Inc. as a named insured pursuant to Endorsement No. 1. The Allianz policy has an aggregate limit of liability of \$15 million, part of \$25 million as of the date of issuance.

As you are aware, the Allianz policy potentially applies only to a covered claim when all underlying insurance identified in said policy's declaration page and/or underlying schedule, as well as any other retained limit of liability or other applicable underlying insurance has been exhausted. At this time it is my understanding that Kaiser Gypsum and/or Allianz has not

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WALNUT CREEK

SACRAMENTO

NEWPORT BEACH

LOS ANGELES

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confirmed that such underlying limits, retentions or other applicable underlying insurance has been exhausted. Thus, as such, there may be no present obligation under the above-referenced Allianz policy to respond.

If it is Kaiser Gypsum's position that exhaustion has occurred as to any and all of the underlying policies, or is likely to occur, we request that you provide a summary of the payment and allocation information on all loss and expense amounts incurred to date as to any and all applicable underlying policies. Once we have received and reviewed such information, we will respond as to any potential coverage, if any, under the alleged Allianz policy.

In addition, please provide this office with copies of the following materials, if available, as part of our coverage analysis:

1. Copies of the EPA's February 19, 2010 request for information and Kaiser Gypsum's June 23, 2010 preliminary response to the EPA's section 104(e) Information Request;
2. Documentation which confirms that Kaiser Gypsum owned property and operated a gypsum plant located at 5931 East Marginal Way, Seattle, Washington;
3. Any correspondence to/from the EPA and Kaiser Gypsum relating to the LDW Claim;
4. A coverage chart and/or summary which lists any and all potentially applicable insurance policies with their limits and types of coverage identified which may be responsive to the LDW Claim; and
5. A copy of any documents concerning the identification of insurers to which Kaiser Gypsum has tendered the subject LDW Claim, including but not limited to contact information of such insurers.

Please note that by issuing this correspondence and retaining this office concerning the LDW Claim, Allianz is not admitting any defense or indemnity obligations concerning the subject matter. Nothing herein or pertaining to Allianz's request for information will be deemed a waiver of any provision of any Allianz policy or preclude either party from asserting grounds for coverage or non-coverage at a later date. Allianz reserves any and all rights which it may have under the terms, conditions, provisions and exclusions of any policy which may have been issued by Allianz concerning the above-referenced matters and reserves the right to assert any and all grounds for non-coverage under any policy issued by Allianz. In addition, Allianz specifically reserves the right to assert any and all grounds for non-coverage under any potential policy issued to Kaiser Gypsum, once actual or imminent exhaustion of underlying coverage is established.

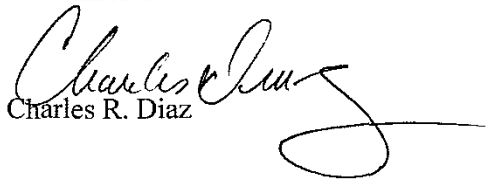
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If you have any additional information which you would like this office to consider, please provide us with the same. Please do not hesitate to call if you have any questions.

Very truly yours,

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Charles R. Diaz

CRD/mj

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